

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 CIAE-00 COME-00 DODE-00
DOTE-00 FMC-01 INR-10 NSAE-00 CG-00 DLOS-09
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R 310623Z MAR 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 7800
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

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FOR EB/TRA/MA

E.O. 11652: N/A
TAGS: EWWT, ID
SUBJECT: REPORTED GOI AGENCY REQUIREMENT FOR FOREIGN SHIPPING LINES

REF: STATE 047976

1. INFORMAL EMBASSY TRANSLATION OF DECREE REQUIRING ALL
FOREIGN SHIPPING LINES TO USE INDONESIAN SHIPPING LINES
AS THEIR AGENTS IN INDONESIAN PORTS CONTAINED PARA SIX.
DEPARTMENT WILL NOTE THAT DECREE IS DATED 1969 AND THAT
PROBLEM IS HARDLY NEW.

2. ACCORDING TO LYKES' JAKARTA REP, CHIEF DISADVANTAGE
OF THE INDONESIAN SYSTEM IS THAT THE LOCAL SHIPPING
LINES WHICH THE FOREIGN LINES ARE FORCED TO USE (AND
PAY FIVE PERCENT COMMISSION TO) DO ALMOST NOTHING TO EARN
THEIR MONEY. THEY CANNOT EVEN BE COUNTED ON TO KNOW
ARRIVAL AND DEPARTURE TIMES FOR SHIPS FOR WHICH THEY
ARE NOMINALLY RESPONSIBLE. FORTUNATELY, ALTHOUGH
OSTENSIBLY BARRED FROM SOLICITATION F BUSINESS BY
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DECREE, REP IS FREE TO SEEK BUSINESS AND IN FACT IS
RESPONSIBLE FOR VIRTUALLY ALL OF LYKES' BOOKINGS.

3. REP STATED THAT THE DECREE DOES AFFECT LYKES
COMPETITIVELY SINCE ITS INDONESIAN AGENT, DJAKARTA
LLOYD, HAS A U.S. SERVICE AND NEVER GIVES BUSINESS TO
LYKES WHICH IT CAN HANDLE. IN JAKARTA, WHERE HE IS

ABLE TO LOOK AFTER THE COMPANY'S INTERESTS, THE PROBLEM IS LESS ACUTE THAN IN OUTLYING AREAS WHERE DEPENDENCE ON AN AGENT IS ALMOST TOTAL. (FACT THAT MUCH OF JAKARTA CARGO IS CONTAINERIZED AND DJAKARTA LLOYD HAS NO CONTAINERS OBVIOUSLY ALSO WORKS TO LYKES' ADVANTAGE.) FOR EXAMPLE, LYKES CARRIES NONE OF THE SUMATRAN COFFEE AND SPICES WHICH ARE EXPORTED TO THE U.S. FROM SUMATRAN PORTS, WHILE DJAKARTA LLOYD HAS SIZEABLE LIFTINGS OF THESE COMMODITIES. LYKES IS THE ONLY U.S. LINE TO SUFFER HEAD ON COMPETITION IN SERVICE TO THE U.S. WITH ITS AGENT. THE THREE OTHER U.S. LINES WITH INDONESIA-U.S. SERVICE (APL, STATES AND CENTRAL GULF) ALL HAVE AS LOCAL AGENTS LINES WITHOUT U.S. SERVICE. ALSO WORTH NOTING IS THAT NONE OF THE THREE HAS A JAKARTA REP, ALL PREFERING TO COVER INDONESIA FROM SINGAPORE.

4. REP STATED THAT LYKES VESSELS NORMALLY DEPART INDONESIA VIRTUALLY EMPTY. FOR EXAMPLE, 700,000 CU FT LOUIS LYKES WILL LEAVE THIS WEEK CARRYING ONLY 1500 CASES OF TEA USING ABOUT 5000 CU.FT. REP CONCEDED HOWEVER THAT COMPETITION FROM OTHER FOREIGN LINES, PRINCIPALLY APL AND MAERSK, WHICH OFFER SCHEDULED AND MORE FREQUENT SAILINGS, IS THE PRIMARY REASON FOR LYKES' SMALL MARKET SHARE.

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#. COMMENT: WITHOUT HAVING CANVASSED FOREIGN SHIPPING LINES IN JAKARTA, WE BELIEVE IT IS SAFE TO SAY THE WOULD ALL PREFER NOT TO BE FORCED TO USE AND PAY COMMISSION TO LOCAL LINES. HOWEVER, THE FACT THAT FOREIGN LINES ARE FREE TO SOLICIT THEIR OWN BUSINESS TENDS TO COMPENSATE SOMEWHAT. IN EFFECT, THE FIVE PERCENT COMMISSION BECOMES SIMPLY A TAX ON DOING OCEAN FREIGHT BUSINESS IN INDONESIA. LYKES' CONTENTION THAT IT SUFFERS COMPETITIVELY FROM ITS AGENT HAS VALIDITY. IT IS UNABLE TO SWITCH AGENTS BECAUSE EACH OF THE OTHER FOUR LOCAL LINES WHICH ACTS AS AGENT FOR FOREIGN LINES ALREADY REPRESENTS A FOREIGN FIRM WITH U.S. SERVICE. LYKES' PROBLEMS MUST BE KEPT IN PERSPECTIVE OF FOREIGN COMPETITION HOWEVER. REP IMPLIED THAT EVEN IF LYKES WERE NO LONGER FORCED TO USE AN INDONESIAN AGENT IT PROBABLY WOULD NOT BE ABLE SIGNIFICANTLY TO INCREASE LIFTINGS BECAUSE OF THIS COMPETITION. SINCE WE FEEL IT UNLIKELY THAT GOI WOULD RELAX OR ELIMINATE THE DECREE, WE SEE NO REAL OPPORTUNITY FOR LYKES SIGNIFICANTLY TO INCREASE ITS BUSINESS IN INDONESIA AT THIS TIME.

6. INFORMAL TRANSLATION OF TEXT AS FOLLOWS:

BEGIN TEXT:

GOVERNMENT ORDINANCE NO. 2, YEAR 1969, OF 18 JANUARY
1969 REGARDING OPERATION AND MANAGEMENT OF SEA COM-
MUNICATION/SEA TRANSPORTATION - PART V - REPRESENTA-
TION OF SHIPPING COMPANIES.

ARTICLE 26

(1) FOREIGN SHIPS SAILING TO AND FROM HARBORS IN
INDONESIA HAVE TO APPOINT INDONESIAN INTERINSULAR
OR OCEAN SHIPPING COMPANIES AS THEIR REPRESENTATIVE
SERVING AS THEIR GENERAL AGENTS.

(2) SAID GENERAL AGENTS HAVE TO REPORT TO GO

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VERN-

MENT AUTHORITIES (A) FREIGHT TARIFFS; (B) MANIFEST; (C)
CONFERENCE MEMBERSHIPS OR OTHER COOPERATIVE ARRANGE-
MENTS; (D) OTHER ASPECTS WHICH ARE STIPULATED BY THE
MINISTER OF COMMUNICATION.

ARTICLE 27

(1) OWNERS OF FOREIGN SHIPPING COMPANIES COULD ASSIGN
THEIR REPRESENTATIVES IN INDONESIA.

(2) SAID REPRESENTATIVES HAVE TO REGISTER THEMSELVES
TO THE MINISTER OF COMMUNICATION OR TO THE OFFICIAL,
APPOINTED BY THE MINISTER.

(3) SAID REPRESENTATIVES HAVE TO TRANSFER TO
INDONESIAN SHIPPING COMPANIES ANY

--LOADING AND UNLOADING

--PROVIDING SERVICES TO THEIR SHIPS.

END TEXT.

MASTERS

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NNN

Message Attributes

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Draft Date: 31 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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Disposition History: n/a
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Disposition Remarks:
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TAGS: EWWT, ID
To: STATE
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